

HB

139

# HOUSE COMMITTEE REPORT

(9)

Date Referred: March 26, 1993

FURTHER REFERRALS:

Judiciary  
Finance

Date of Committee Action: 2/23/94

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered:

HB 139

HOUSE BILL NO. 139

ASSISTIVE TECHNOLOGY LOAN GUARANTEES

"An Act establishing a loan guarantee and interest rate subsidy program for assistive technology."

RECOMMENDATIONS:

be replaced with \_\_\_\_\_

CS HB 139 (HESS)

the same title

a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

fiscal impact DOE

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i>	✓	<i>[Signature]</i>			X
<i>[Signature]</i>	✓	<i>[Signature]</i>		✓	
<i>[Signature]</i>	✓	<i>[Signature]</i>			X
		<i>[Signature]</i>		✓	
		<i>[Signature]</i>		✓	

*[Signature]*  
CHAIRMAN'S SIGNATURE



# Alaska State Legislature

House of Representatives  
 COMMITTEE ON HEALTH, EDUCATION  
 AND SOCIAL SERVICES

DATE: 2/23/94

PLACE: Capitol Room 106

SUBJECT OF MEETING:  
 HB 139: ASSISTIVE TECHNOLOGY LOAN GUARANTEES  
 \*HB 451: COMPREHENSIVE HEALTH INSURANCE ACT  
 \*INDICATES FIRST PUBLIC HEARING

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Stan RIDGEWAY	DUR				✓ 405-6932	(Y) N	HB 139
Rupe ANDREWS	AARP				✓ 789-7422	(Y) N	HB 139
Nancy CORNWELL	Health System Reform Group	2411 West 69th Ave Anchorage AK	99502		243-8336	(Y) N	HB 451
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

LIN1100-R01  
02/28/94

LEGISLATIVE TELECONFERENCE NETWORK

PAGE 01  
14:43:46

TCN: 40360 DATE & TIME: 02/23/94 15:00 TO 17:00 STATUS:7 STATS. IN

\*\*\* ORDER SUMMARY \*\*\*

SPONSOR: HHES HOUSE HEALTH, EDUCATION AND SOCIAL SERVI CHAIRS: TOOHEY  
PURPOSE: PUB PUBLIC HEARING LEGISLATIVE BUNDE  
CONTACT: LYNNE SMITH TEL#: (907)465-6825  
CHAIRING SITE: JUNEAU CAPITOL CAP106

SPONSOR REMARKS(PUB): TESTIMONY:N LISTEN ONLY  
AT THIS TIME HB 451 IS THE SECOND BILL ON THE CALENDAR.  
IT WILL BE LISTEN ONLY  
TCN REQUESTED ON 02/23/94 AND HAS 4 UPDATES

\*\*\* AGENDA \*\*\*

1 HB 451 COMPREHENSIVE HEALTH INSURANCE ACT

\*\*\* PARTICIPATING LIDS \*\*\*

ANC ANCHORAGE	716 W 4TH. #200	LOCATION STAFF
FBX FAIRBANKS	119 N CUSHMAN ST	LOCATION STAFF
* JNU JUNEAU	CAPITOL	LOCATION STAFF
TOK TOK	MP 1314 AK. HWY	LOCATION STAFF

\*\*\* VOLUNTEER & OFFNET SITES \*\*\*

ZZZ OF1 OFFNET 1 ANCHORAGE DR. NIGHSWANDER (907)257-1234

PARTICIPANTS IN: ANCHORAGE

ANC

1	THEA PITTMAN	OBSV. HB 451
	4750 EAGLE #1	ANCHORAGE AK 99503 (907)561-0515
2	DONNA HUEDLE	OBSV. HB 451
	406 W FIREWEED	ANCHORAGE AK 99501 (907)277-4822
3	BONNIE NELSON	OBSV. HB 451
	20615 WHITE BIRCH RD	EAGLE RIVER AK 99567 (907)688-3071
4	OBSERVER FOUR	OBSV. HB 451
		AK (907)000-0000
5	OBSERVER FIVE	OBSV. HB 451
		AK (907)000-0000

PARTICIPANTS IN: JUNEAU

JNU

1 REP	CYNTHIA TOOHEY	TSFY. ALL ITEMS
		AK (907)000-0000
2 REP	CON BUNDE	TSFY. ALL ITEMS
		AK (907)000-0000
3 REP	PETE KOTT	TSFY. ALL ITEMS



8-LS0556JL  
Lauterbach  
2/22/94

CS FOR HOUSE BILL NO. 139( )

IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES DAVIES, Brice, Brown, B.Davis, Grussendorf, James, Larson, Nordlund, Sitton, Ulmer, Menard, Hudson, Mackie, MacLean, Porter, Foster, Hanley, Kott

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing a loan guarantee and interest rate subsidy program for  
2 assistive technology."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 \* Section 1. AS 23.15 is amended by adding a new section to read:

5 Sec. 23.15.125. ASSISTIVE TECHNOLOGY LOAN GUARANTEE AND  
6 INTEREST SUBSIDY PROGRAM. (a) An assistive technology loan guarantee fund  
7 is established in the agency. The fund consists of money appropriated to it. The  
8 agency may solicit and accept available public and private money for distribution from  
9 the fund.

10 (b) Subject to (c) and (d) of this section, the agency may use money in the  
11 fund established under this section to guarantee 90 percent of the principal amount of  
12 a loan or to subsidize the interest rate of a loan guaranteed by the agency for  
13 appropriate assistive technology that is best suited for enabling

14 (1) a handicapped individual to obtain or maintain employment; or

1 (2) an individual having a physical or mental disability to live more  
2 independently.

3 (c) The agency may guarantee a loan or subsidize the interest rate of a loan  
4 guaranteed under this section if

5 (1) the loan is made to a handicapped or disabled person or a member  
6 of the person's family;

7 (2) the loan is originated and serviced by a state or federally chartered  
8 financial institution located in the state;

9 (3) before a loan guarantee or subsidy is requested from a lending  
10 institution, the agency determines that the person requesting the loan guarantee or  
11 subsidy is not able to obtain the needed assistive technology from a less costly source;

12 (4) the lending institution determines that the person or the family of  
13 a child reasonably can be expected to repay the loan given their expected income or  
14 other resources; and

15 (5) for a loan to modify a vehicle to provide transportation for a  
16 handicapped person, the applicant has been steadily employed for the 90 days  
17 immediately preceding the date of the loan application.

18 (d) The director shall establish an assistive technology loan committee within  
19 the agency. The committee shall consist of the director, or the director's designee, a  
20 representative of a financial institution who is experienced with consumer loans, and  
21 at least one but not more than three persons with disabilities. The committee shall

22 (1) establish guidelines for providing loans under this section, including  
23 guidelines relating to the maximum amounts and duration of loans and guidelines to  
24 ensure that persons with disabilities who live in rural or remote areas of the state have  
25 adequate access to loans under this section;

26 (2) annually establish the percentage of money in the fund that may be  
27 used for subsidizing the interest rates on loans guaranteed under this section; and

28 (3) make reports and recommendations to the legislature on the  
29 operation of the loan program.

30 (e) In this section, "assistive technology" means durable equipment, adaptive  
31 aids, and assistive devices.

# FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. HB 139

Revision Date: \_\_\_\_\_ Dept. Affected: Education  
 Title: An Act establishing a loan guarantee BRU: Vocational Rehabilitation  
and interest rate subsidy program for Assistive Component: Assistive Technology  
technology  
 Sponsor: Representative Davies  
 Requestor: Representative Davies COMPONENT SERIAL NO. 1202

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	100.0	0	0	0	0	0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts	100.0	0	0	0	0	0
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	100.0	0	0	0	0	0

Estimate of any current year (FY94) cost: \$ 0

POSITIONS						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Keith J. Anderson *Keith Anderson* Phone: 465-6932  
 Division: Vocational Rehabilitation Date: December 14, 1993  
 Approved by Commissioner: *Walt Nelson* Date: 12-17-93  
 Agency: \_\_\_\_\_

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FISCAL NOTE

State of Alaska  
1994 Legislative Session

BILL NO. HB 139

Title: An Act establishing a  
loan guarantee and interest  
subsidy program for  
Assistive Technology.

Department Affected: Education  
BRU: Vocational Rehabilitation  
Component: Assistive Technology

Sponsor: Representative Davies  
Requestor: Representative Davies

The Assistive Technology of Alaska (ATA) Advisory Board has recommended to the division that we investigate using federal funds generated through the ATA project to fund the Technology Loan Fund. With this direction we have proposed to the federal funding agency a plan to fund the loan program by using federal receipts instead of state capital or general funds.

If approved, ATA's fourth year grant includes a plan by which grant funds can be used to establish the loan fund. This would provide seed money to establish the loan fund. If this bill becomes law, the division can, by July 30, provide approximately 100.0 for this purpose. It is our understanding that this amount of money can be leveraged into as much as 750.0 as a guarantee and interest buy down depending on how the banking industry recommends the loans be set-up. This legislation forms a partnership between private industry and government to meet the needs of Alaskans with disabilities.

No additional staff cost.

Initial funding 100.0 from federal receipts, one year capitalization only.

# Alaska State Legislature

COMMITTEES  
RESOURCES  
COMMUNITY AND REGIONAL AFFAIRS  
LEGISLATIVE BUDGET AND AUDIT

FINANCE SUBCOMMITTEES  
UNIVERSITY OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES



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FAX (907) 456-1910

*While in Session*  
State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-4457  
FAX (907) 465-3787

## Representative John Davies District 29

2/22/94

### HB 139: Assistive Technology Loan Guarantee Sponsor Statement

People with disabilities often have difficulties in qualifying for conventional loans to purchase assistive technology to live and work more independently. Assistive technology includes items such as hearing aids, walkers, talking computers, wheelchairs, and wheelchair lift equipment.

HB 139 would set up a fund to guarantee up to 90% of a bank loan received by a qualified individual for the purpose of purchasing needed assistive technology. In addition, the state could subsidize, on a needs basis, all or part of the interest on a loan.

As indicated in the fiscal note, the fund would be capitalized with \$100,000 of federal money.

# POSITION PAPER: DEPARTMENT OF EDUCATION

Division Vocational Rehabilitation Bill Number HB 139

Bill Title An Act establishing a loan guarantee and interest rate subsidy program for Assistive Technology.

Sponsor Representative Davies

Position Statement: Explain briefly what the bill does, its impacts and Department's position, i.e., a) support, b) do not support, c) neutral or d) oppose.

The Department of Education supports this bill. It would meet an identical need by a group of individuals in the State of Alaska which is not being addressed. It is recommended that the mechanics of the loan guarantee and interest subsidies be clarified. Other than student loans by the Commission on Post Secondary Education, the Department is not in the loan business, and does not have the infrastructure to support significant responsibilities in this area. This would best be handled by banking institutions.

## WHAT THE BILL DOES:

This bill would provide two types of assistance to individuals who need help in order to acquire assistive devices:

### LOAN GUARANTEE

This bill provides for the state to guarantee loans issued to individuals who need assistive devices. The process for accessing the guarantee is as follows:

1. The individual completes an application available from their local assistive technology office.

continued on page 2

## APPROVED:

Director Keith J. Anderson Division Vocational Rehabilitation

Signature Steve Redman for Date December 14, 1993

Commissioner/Deputy Mike Maher

Signature \_\_\_\_\_ Date \_\_\_\_\_

continued from page 1

2. The local office personnel will evaluate the degree to which the individual meets pre-established criteria for acquiring a loan and certifies those who qualify.
3. The individual presents the certification, along with an application for a loan, to a bank of his/her choice.
4. The bank acts on the application. After the loan is made it is treated as any other loan. If the person defaults on the loan, the state is liable to meet the outstanding obligation.

#### SUBSIDIZED INTEREST

Based on the ability of the individual to repay the loan, the state can subsidize the interest rate up to that required by the loaning institutions.

#### IMPACT OF THE BILL:

If passed, this bill would make it possible for citizens of the State of Alaska to gain access to technological devices necessary for them to function more independently in their homes and communities. It is estimated that there are approximately 4,000 persons in the state who are in need of these devices. The cost of these devices vary broadly from a few dollars to several thousand dollars.

**PROPOSAL FOR THE ASSISTIVE TECHNOLOGY  
LOAN GUARANTEE AND INTEREST SUBSIDY PROGRAM  
PREPARED BY THE  
DIVISION OF VOCATIONAL REHABILITATION  
January 25, 1994**

**A. INTRODUCTION:**

Federal receipts from The Assistive Technology grant would be set aside as a special fund for a "leveraged loan or interest rate buy down" program. The sum of \$100,000 would be used to establish this program.

The program involves a bank(s) providing loan funds in cooperation with the Assistive Technology Loan Guarantee and Interest Subsidy Program which serves as guarantor.

It is estimated that there are at least 4,000 Alaskans with work-limiting disabilities that can benefit from technology services. Assistive Technologies of Alaska (ATA) has found that the area of greatest need relating to assistive technology is funding. Credit financing is an avenue not frequently available to persons with disabilities due to low household income levels. A funding alternative that supports consumer independence exists in the form of extended term, low interest loans. This program is intended to provide Alaskans with disabilities who would not otherwise be eligible for credit financing due to credit history or income, an option for a long-term low interest loan.

**B. PARTICIPATION:**

1. The program will be available to individuals with disabilities or their representatives, rather than organizations or businesses.
2. These individuals must demonstrate that the funding will be used to purchase assistive technology.
3. It must also be demonstrated that the assistive technology requested has the potential to improve that individual's quality of life, independence, or ability to function productively.
4. The Resource Center (programs who receive ATA grants) will also assist the individual by helping to explore any other potential resources for the equipment. If no other source is available, the individual would then be referred to a banking institution to apply for a loan. The Resource Center would assist the individual in determining whether or not they fall within the parameters of the program and in making this application.

5. The loan would be guaranteed to 90% of the principal amount and, if needed, would subsidize the loan interest.

**C. ROLE OF THE BANKING INSTITUTIONS:**

1. The individuals or their representatives will make application for the loan to a participating bank. The bank will determine a specific interest rate. If a person applying for a loan cannot afford the payback because of the interest rate, the bank will recommend that ATA buy down on the interest rate.
2. The Program will pay the difference between the rate charged by the bank and the rate paid by the individual (interest rate buy down).
3. The banks will serve as the lenders using their loan funds.
4. The bank will determine that the applicant has the ability to repay the loan and would not generally be eligible for a regular commercial loan. A monthly payment will be determined that can be reasonably expected of the borrower.
5. The banks will determine if the loan is reasonably secure due to the financial position of the applicant including the offering of collateral or the use of a cosigner.
6. The loan guarantee component of this model may involve a loan insurance component which could replace the need for a set-aside reserve.
7. The bank will collect all payments from the borrower and will bill the loan program for the interest rate buy down if there is one. This may be done on a quarterly or semi-annual basis.
8. The banks will provide loan terms that meet the individual's needs and the program criteria. They will:
  - 1) conduct credit checks for applicants,
  - 2) disseminate coupon (payment) books to borrowers;
  - 3) post payments,
  - 4) report on total amount loaned, received, and in arrears;
  - 5) send notification of late payment to borrowers; and
  - 6) process default arrangements which could include loan restructuring, collection agency, etc.

**D. LOAN MINIMUM & MAXIMUM:**

1. This proposal does not include set amounts for either a minimum or maximum loan. This will be determined by the Assistive Technology Loan Committee and may change annually, depending upon the ability of the loan fund.
2. An expedited loan process is intended for mini-loans under \$1,000.

**E. ASSISTIVE TECHNOLOGY PROGRAM:**

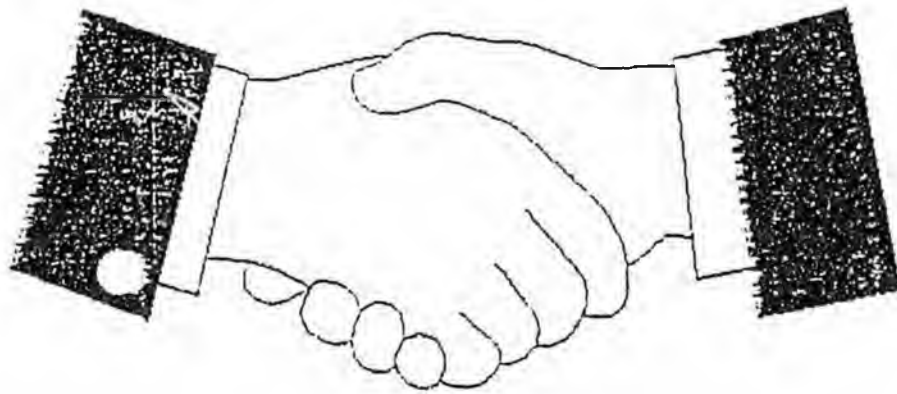
1. The Assistive Technology Program will make payments from the fund to the banks for interest buy down or, in the event of default, for 90% of the outstanding principal.
2. A loan fund reserve amount (10% - 20%) of outstanding loans will be negotiated with the participating banks for loan guarantee purposes. Loan fund insurance could replace this reserve.

**F. ADMINISTRATION OF THE PROGRAM:**

1. The Assistive Technology Loan Program is administered by an Assistive Technology Loan Committee established in the Division of Vocational Rehabilitation. This committee shall consist of not more than five individuals appointed by the Division director.
2. The committee shall:
  1. Establish the guidelines for providing loans to individuals, including the maximum and minimum amount of loans.
  2. Write regulations which govern all aspects of the activities allowed under the statute.
  3. Approve or disapprove applications for the program to buy-down the interest for any given loan. To do this they must establish a fixed percentage of the total loan funds which will be available for subsidizing interest. This percentage may be modified yearly.
  4. Make recommendations for ways to improve the program, ensure continuation of the program (which could include grants, endowments, appropriations, recovery of funds from loans,

etc.).

5. **Make an annual report to the legislature on all aspects of the program. (Number of loans made, number of defaults, default rate on loans, funds used for interest buy-down, balance in the loan fund, etc.).**



## ASSISTIVE TECHNOLOGY LOAN GUARANTEE AND INTEREST SUBSIDY PROGRAM

What Is This Program? It is a emerging public-private sector partnership to establish a loan guarantee and interest subsidy program which will enable persons with disabilities to purchase assistive technologies necessary to their independence now known as Senate Bill 70 and House Bill 139!

Who Will Be Affected? Persons with disabilities, their families, employers and businesses

Explain The Term Assistive Technologies (AT)? Simply put, these are devices and services that can help people live, learn, work and play within their communities. These tools range from simple eyeglasses, hearing aids and walkers to computers that talk and lift-equipped vans.

Why Do We Need This Fund? From a '91 study by the University of Alaska, over half of all persons with disabilities (58%) in the state do not have access to the equipment which can help them live more sufficient lives.

### What Are The Benefits?

\*Through this program, low-interest, longterm loans will be repaid and funds will continue to stimulate economic growth for years to come.

\*Employment and re-employment of disabled or injured workers will be promoted, reducing workers' compensation costs and developing additional work force that can be tapped.

\*Through the use and development of technology to improve independence and productivity of persons who are disabled, need for public support will be reduced.

\*Inclusion of persons with disabilities will occur allowing all Alaskans to make a valuable contribution to their community.

How Will The Program Work? The State of Alaska will guarantee up to 90% of the loan principal amount or subsidize the interest of a loan to a state or federally chartered financial institution. Persons with disabilities | their families will be able to make direct application to their local bank for an assistive technology loan.

What About The Costs? Anticipated Federal funding of \$100,000 will "seed" this initiative with no immediate impact on the current state budget.



Date: March 22, 1993

To: Legislature of the State of Alaska

From: Gary Roth, President and Chief Executive Officer  
Denali State Bank, Fairbanks, AK



RE: SB 70 and HB 139  
"An Act Establishing a Loan Guaranty and Interest Rates Subsidy  
Program For Assistive Technology"

I would like to add my support for the above referenced bills and ask that the legislature of the State of Alaska approve a bill for this program. As a long time banker and as the past President of the Fairbanks Resource Agency, I feel that this loan guaranty and interest subsidy program will assist many handicapped and developmentally disabled people to lead a productive life. I have personally witnessed the great advantages of disabled and handicapped people returning to a normal lifestyle and enjoying life free from the oversight and restrictions of the welfare system. The amount of pride and well-being displayed by these people when they can thus contribute to society rather than being a ward of society is tremendous.

This program will go a long way in providing additional support to these individuals. Many have completed training programs which have given them the necessary skills to become independent livers. Unfortunately, because of their past disabilities or handicaps, they have been unable to establish credit of any kind. This bill will assist the financial institutions in making credit available to these individuals because of the lack of one of the key credit considerations - past credit history. Additionally, the families of some of the disabled people have had undue hardship to support this family member and this may have had a derogatory affect on their credit. With proper counseling and direction of the agency or department, funds could be made available through the guaranty program for personal computers for home workshops, handicapped accessible vehicles, and other adaptive or assistive devices. The guaranty program will also enable financial institutions to extend longer loan terms over what normally may be considered a maximum term allowable for personal loans. This is usually no longer than 18 months.

The interest subsidy may or may not always be necessary. This will depend on the individual circumstances of each case in that it will have an effect in the amount of the proposed monthly installments on any given loan. This may mean the difference between qualifying under the banks debt-to-income ratios for such credits.

I ask the support of both the Senate and the House in passing this legislation.